GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:743
ANSWERED ON:21.02.2003
INDIAN ECONOMY
SUBODH MOHITE

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) Whether the non-resident Indians are depositing their money to seize opportunity presented by the interest rate differentials between US and India;

(b) if so, its impact on the Indian economy; and

(c) the steps to be proposed to naturalise the position ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a),(b) & (c) : A recent study by the Reserve Bank of India (RBI) on `Accretion to Foreign Exchange Reserves in India : Sources, Arbitrage and Costs`, indicates that non-resident Indian(NRI) deposits have experienced a net increase of US $2.1 billion during April-November 2002, compared with an almost identical increase of US $2.2 billion during April-November 2001. The accretion includes drawdown of deposits from the non-resident, non-convertible rupee accounts, which were discontinued from March, 2002. Since 1999-2000, annual net inflows in NRI deposits have ranged between US $1.5-2.7 billion. Thus, the current trends in non-resident deposits have been consistent with those observed during the past few years. The RBI study points out that despite a differential of 3-4 percent between Indian and international interest rates, there is no evidence to suggest that arbitrage opportunities have led to accretion of foreign exchange reserves in India.